


Trading Buy (unchanged)

Thai Rung Union Car PCL (TRU) 4Q13 profit slides with a not bright 2014

CGR Scoring Rating 

Share price: Bt6.80
Target price: Bt8.50 (from 10.00)

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Stock Information

Description : Product design, research and development, Manufacture of dies and jigs, Manufacture of automotive parts and seats, Contract vehicle painting and assembly, vehicle modification

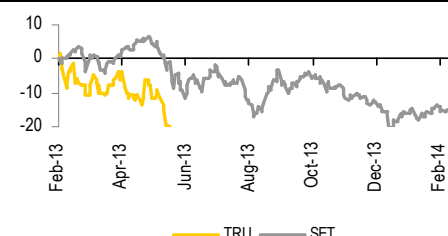
Ticker : TRU
Shares Issued (mn): 492
Market Cap (Btmn) 3,348
Market Cap (US\$m) 102.67
3-mth Avg. Daily Turnover (Btmn) 0.66
SET index 3,304.62
Free float (%) 25.49

Major Shareholders : %
Phoenchoke Family 72.15
CITIBANK NOMINEES SINGAPORE PTE 4.94
LTD-S.A PBG CLIENTS SG

Key Indicators

ROE – annualised (%) 10.8
Net cash (Btmn): 362
NTA/shr (Bt): 6.7
Interest cover (x): nm

Historic Chart



Performance

52-week High/Low Bt 14.70/Bt 5.90

	1-m	3-mth	6-mth	1-yrs	YTD
Absolute (%)	3.0	-1.4	9.7	-52.1	0.7
Relative (%)	1.8	3.7	8.7	-43.8	0.3

4Q13 earnings summary. TRU announced 4Q13 earnings slumping by -55% QoQ and -81% YoY to Bt32mn or a slight Bt0.06/share, depressed by declining sales to Bt644mn (-15% QoQ and -42% YoY) in tandem with the slower auto industry, a weaker gross profit margin to 11.3% from 15% last quarter and 20% last year due to a declining portion of assembly and painting revenue (high-yield) and an abnormally high SG&A expense of Bt97mn (+35% QoQ and +21% YoY) due to an impairment loss on inventory.

What's next? We estimate auto production in 2014 to soften 2% YoY to 2.4mn units and we have cut our projection further for TRU sales estimated to contract -2% YoY to Bt3.076bn with a net profit of just Bt343mn (-3% YoY, EPS Bt0.70). To diversify risk from slower auto industry output, TRU is cooperating with Kyowa Sangyo Co., Ltd. (Kyowa) to form a joint-venture company to be named Kyowa Thai Rung Co., Ltd. to produce auto parts and passenger cabins for excavators, dump trucks, trucks for agriculture and tractors. The joint-venture deal will help TRU to step into the heavy-truck industry (for domestic sale and export) and also increase the TRU customer base. The Japanese working style and new knowledge will help upgrade TRU products for better international competition.

Recommendation. TRU announced a 2013 DPS of Bt0.20 and a stock dividend at a 5 : 1 ratio. TRU has strong financial position without debt and Bt298mn cash in hand. The current share price trades at a low PER of 9.8x with a yield of 5.1%. We recommend a Trading Buy and a TP of Bt8.5, down from Bt10, based on a 2014 PER of 12x (peer average).

Risks. Slower auto industry growth and lower purchasing power and lower auto parts prices.

TRU – Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013	2014F	2015F
Revenue	2,055	3,500	3,138	3,076	3,229
EBITDA	292	716	475	485	512
Recurring Net Profit	186	556	354	343	366
Net profit	186	556	354	343	366
EPS (Bt)	0.38	1.13	0.72	0.70	0.74
EPS growth (%)	1.4	198.5	(36.4)	(3.1)	6.8
DPS (Bt)	0.25	0.60	0.20	0.35	0.37
PER	18.0	6.0	9.5	9.8	9.1
EV/EBITDA (x)	10.8	3.9	6.5	6.2	5.7
Div Yield (%)	3.7	8.8	2.9	5.1	5.5
P/BV(x)	1.3	1.1	1.1	1.0	1.0
Net Gearing (%)		Net cash	Net cash	Net cash	Net cash
ROE (%)		7.3	20.0	11.7	10.8
ROA (%)		6.2	16.2	9.4	8.8
Cons. Net Profit (Btmn)		-	-	354	479

Source: Company reports and MBKET estimates.

Figure 1 : Quarterly earnings (Btmn)

	4Q13	3Q13	%QoQ	4Q12	%yoy	2013	2012	%YoY
Sales	644	759	-15%	1,110	-42%	3,138	3,500	-10%
Other Income	47	38	25%	55	-13%	181	203	-11%
COGS	558	613	-9%	856	-35%	2,519	2,722	-7%
Depreciation & amortisation	14	32	-57%	32	-56%	111	111	0%
Gross profit	73	114	-36%	222	-67%	508	667	-24%
Gross margin (%)	11.3%	15.0%	-	20.0%	-	16.2%	19.0%	-
SG&A	97	72	35%	81	21%	325	264	23%
SG&A/sales (%)	15%	9%	-	7%	-	10%	8%	-
EBITDA	37	112	-67%	228	-84%	475	716	-34%
EBITDA margin (%)	6%	15%	-	21%	-	15%	20%	-
Interest expenses	0	0	1%	0	675%	1	1	49%
Net profit	32	71	-55%	171	-81%	354	556	-36%
EPS (Bt)	0.06	0.15	-55%	0.35	-81%	0.72	1.13	-36%

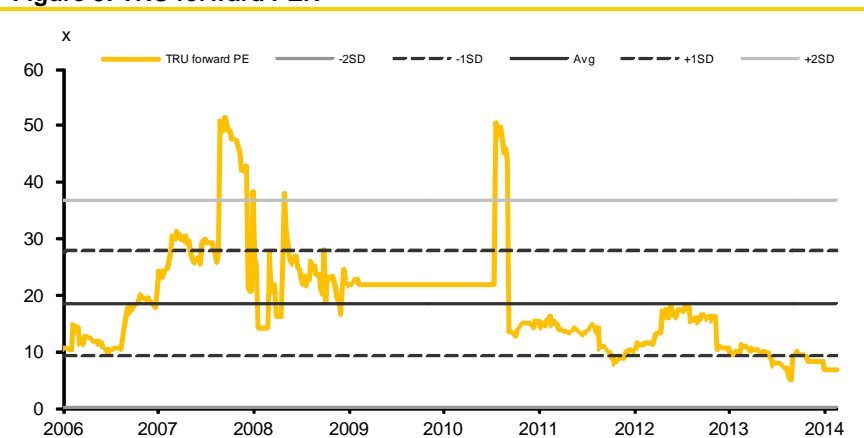
Source: Company reports and MBKET estimates.

Figure 2: Revised earnings forecasts

	Revision		Original		%Chg	
	2014F	2015F	2014F	2015F	2014F	2015F
Sales (Btmn)	3,076	3,229	3,224	3,385	-5%	-5%
Net Profit (Btmn)	343	366	420	460	-18%	-20%
EPS (Bt)	0.70	0.74	0.85	0.92	-18%	-20%

Source: Company reports and MBKET estimates.

Figure 3: TRU forward PER



Source: Bloomberg

INCOME STATEMENT (Btmn)

FY December	2012	2013	2014F	2015F
Revenue	3,500	3,138	3,076	3,229
EBITDA	716	475	485	512
Depreciation & Amortisation	111	111	127	131
Operating Profit (EBIT)	605	364	358	381
Interest (Exp) / Inc	1	1	0	0
Associates	79	56	60	65
One-offs	0	0	0	0
Pre-Tax Profit	683	418	418	446
Tax	111	54	65	69
Minority Interest	16	11	11	11
Net Profit	556	354	343	366
Recurring Net Profit	556	354	343	366
Revenue Growth %	70.3	(10.3)	(2.0)	5.0
EBITDA Growth (%)	145.2	(33.7)	2.2	5.6
EBIT Growth (%)	189.4	(39.9)	(1.5)	6.2
Net Profit Growth (%)	198.5	(36.4)	(3.1)	6.8
Recurring Net Profit Growth (%)	198.5	(36.4)	(3.1)	6.8
Tax Rate %	18.4	14.8	18.0	18.0

BALANCE SHEET (Btmn)

FY December	2012	2013	2014F	2015F
Fixed Assets	1,428	1,821	1,894	1,963
Other LT Assets	664	724	784	849
Cash / ST Investments	532	298	530	654
Other Current Assets	1,239	790	910	935
Total Assets	3,862	3,632	4,118	4,400
ST Debt	3	10	70	98
Other Current Liabilities	723	396	481	491
LT Debt	1	14	98	137
Other LT Liabilities	46	60	60	60
Minority Interest	95	100	111	122
Shareholders' Equity	2,995	3,053	3,297	3,492
Total Liabilities-Capital	3,862	3,632	4,118	4,400
Share Capital (mn)	502	492	492	492
Gross Debt / (Cash)	3	23	168	235
Net Debt / (Cash)	(528)	(275)	(362)	(419)
Working Capital	516	394	429	444
BVPS	6.08	6.20	6.70	7.09

CASH FLOW (Btmn)

FY December	2012	2013	2014F	2015F
Profit before taxation	683	418	418	446
Depreciation	111	111	127	131
Net interest receipts / (payments)	1	1	0	0
Working capital change	66	122	(35)	(15)
Cash tax paid	(111)	(54)	(65)	(69)
Others (inc. exceptional items)	(100)	(33)	(71)	(76)
Cash flow from operations	649	566	374	418
Capex	(257)	(521)	(200)	(200)
Disposals / (purchases)	0	0	0	0
Others	54	14	0	0
Cash flow from investing	(203)	(507)	(200)	(200)
Debt raised / (repaid)	(2)	20	145	67
Equity raised / (repaid)	15	(17)	11	11
Dividends (paid)	(123)	(295)	(98)	(171)
Interest payments	1	1	0	0
Others	0	0	0	0
Cash flow from financing	(110)	(292)	58	(94)
Change in cash	336	(233)	232	124

RATES & RATIOS

FY December	2012	2013	2014F	2015F
Gross margin %	19.0	16.2	15.1	15.1
EBITDA Margin %	19.3	14.3	14.9	15.0
Op. Profit Margin %	16.3	11.0	11.0	11.2
Net Profit Margin %	15.0	10.7	10.5	10.7
ROE %	20.0	11.7	10.8	10.8
ROA %	16.2	9.4	8.8	8.6
Net Margin Ex. EI %	15.0	10.7	10.5	10.7
Dividend Cover (x)	1.9	3.6	2.0	2.0
Interest Cover (x)	749.4	301.5	nm	nm
Asset Turnover (x)	0.9	0.9	0.7	0.7
Asset / Debt (x)	5.0	7.6	5.8	5.6
Debtors Turn (days)	88.0	92.3	76.3	80.2
Creditors Turn (days)	65.9	77.7	64.3	67.8
Inventory Turn (days)	29.4	32.0	30.4	29.7
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	0.0	0.0	0.3	0.5
Debt / Market Cap (x)	0.0	0.0	0.1	0.1

Source: Company reports and MBKET estimates.

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

▲▲▲▲▲ Excellent						Score Range	Number of Logo	Description
ADVANC	CIMBT	ICC	PG	S&J	SPALI	90-100	▲▲▲▲▲	Excellent
AOT	CK	INTUCH	PHOL	SAMART	SPI	80-89	▲▲▲▲▲	Very Good
ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	70-79	▲▲▲▲	Good
BAFS	CPN	IVL	PRANDA	SAT	SSSC	60-69	▲▲▲	Satisfactory
BANPU	CSL	KBANK	PS	SC	SM	50-59	▲	Pass
BAY	DRT	KKP	PSL	SCB	SYMC	Lower than 50	No logo given	N/A
BBL	DTAC	KTB	PTT	SCC	TCAP			
BCP	EASTW	LPN	PTTEP	SCSMG	THAI			
BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TKT	TRC	UV
BKI	ERW	MINT	QH	SIM	THRE	TM6	TRUE	VGI
BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TMTY	TTW	WACOAL
BTS	HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO	
▲▲▲▲ Very Good								
ZS	BH	EE	JUBILE	MBK	PF	SINGER	THANI	TTCL
ACAP	BIGC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AF	BJC	ESSO	KCE	MFC	PM	SMT	TIPCO	TYM
AHC	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AIT	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AKP	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMANAH	CCEI	GC	KWC	NBC	PRG	SSF	TMT	UP
AMARIN	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
AP	CGS	GLOW	LH	NMG	QTC	SUC	TPC	VIBHA
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
APCS	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
ASP	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
AYUD	DCC	IFEC	LST	OISHI	SEAFCO	TFD	TSTE	
BEC	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AAV	BLAND	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEC	BOL	EA	IHL	MATCH	PL	SMK	TKS	UWC
AEDNTS	BROCK	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AFC	BSBM	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AGE	CHARAN	BMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WG
AI	CI	F&D	IT	MJD	QLT	SSC	TNCP	WIN
AJ	CIG	FNS	JMART	MK	RCI	STA	TOPP	WORK
AKR	CITY	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SVOA	TPP	
ANAN	CNS	FSS	JUTHA	MSC	RPC	SWC	TR	
ARIP	CPL	GENCO	KASET	NC	SCBLIF	SYNEX	TTI	
AS	CRANE	GFM	KC	NIPPON	SCP	TBSP	TVD	
BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TCCC	TM	
BCH	CSR	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
BEAUTY	CTW	HFT	KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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